

Message Text

SECRET

PAGE 01 STATE 104615

40

ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EB/IFD/OMA:BGCROWE

APPROVED BY EB/IFD:P;BOEKER

AF/C:EMARKS

S/S:FVORTIZ

AF/EPS:RBDUNCAN

EB/IFD/OMA:RJRYAN

----- 008906

P 302301Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA PRIORITY

S E C R E T STATE 104615

STADIS////////////////////////////////////

EXDIS

E.O. 11652: GDS

TAGS: EAID, EFIN,CG

SUBJECT: DEBT-RESCHEDULING: IMF VS PARIS CLUB AND THE
CASE OF ZAIRE

REF: KINSHASA 3060

1. REGRET DELAY IN RESPONDING TO REFTEL. WHILE ISSUE OF
DEBT FORUM FOR ZAIRE DOES HAVE BROADER IMPLICATIONS FOR
FUTURE DEBT RENEGOTIATIONS, WE IN THE DEPARTMENT VIEW THE
ISSUE SOMEWHAT DIFFERENTLY THAN REPORTED REFTEL. THE
FOLLOWING SUMMARIZES OUR INTERPRETATION OF HOW THE ZAIRE
FORUM ISSUE RELATES TO DISCUSSIONS ON DEBT TAKING PLACE
WITHIN THE CIEC AND UNCTAD. IT WILL ALSO EXPLAIN WHY SOME
OF OUR INSTRUCTIONS ON THE FORUM ISSUE AS IT APPLIES TO
ZAIRE MAY HAVE BEEN SOMEWHAT UNCLEAR.

2. THE DEVELOPING COUNTRIES HAVE TRADITIONALLY RESENTED
SECRET

SECRET

PAGE 02 STATE 104615

THE CREDITOR CLUB MECHANISM, VIEWING IT AS A MEANS FOR

THE CREDITORS TO "GANG-UP" ON INDIVIDUAL DEBTORS. THEY ALSO FEEL STRONGLY THAT THE "CLUB" FAILS TO GIVE ADEQUATE CONSIDERATION OF DEVELOPMENTAL ISSUES IN THEIR DELIBERATIONS. THE LDCS ALSO BELIEVE THE AD HOC NATURE OF THE CREDITOR CLUB, AND THE LACK OF ANY AGREED RESCHEDULING "CRITERIA" OR "GUIDELINES" PRODUCE ARBITRARY RATHER THAN EQUITABLE TREATMENT OF DEBTOR.

3. ALTHOUGH DEBTORS ARE GENERALLY FREE TO CALL UPON ANY MAJOR CREDITOR TO HOST A "CLUB" EXERCISE (THERE HAVE BEEN "LONDON CLUBS" FOR PERU AND GHANA AND A "HAGUE CLUB" FOR BRAZIL, MOST DEBTORS IN RECENT YEARS HAVE REQUESTED FRENCH SPONSORSHIP. BOTH STATE AND TREASURY HAVE BECOME DISILLUSIONED WITH THE MANNER IN WHICH THE FRENCH HAVE UTILIZED THEIR ROLE AS PARIS CLUB CHAIRMAN TO SERVE GOV POLITICAL/COMMERCIAL OBJECTIVES.

4. LAST YEAR'S UNCTAD SPONSORED AD HOC GROUP OF DEBT EXPERTS (INCLUDING REPRESENTATIVES OF BOTH CREDITOR AND DEBTOR COUNTRIES) RECOMMENDED THAT DEBTOR COUNTRIES BE PERMITTED TO CONVENE AD HOC CONSULTATIVE MEETINGS TO DISCUSS WITH MAJOR CREDITORS, SELECTED OTHER LDCS, AND THE IFI'S ITS DEBT SERVICING DIFFICULTIES, AND GENERALLY TO PREPARE ITSELF FOR EVENTUAL NEGOTIATIONS WITH CREDITORS IN THE TRADITIONAL MULTILATERAL FRAMEWORK. THERE HAS BEEN LITTLE ENTHUSIASM FOR THIS IDEA, HOWEVER, AMONG EITHER CREDITORS (WHO ACCEPTED THE IDEA RELUCTANTLY) OR DEBTORS (WHO BELIEVE IT DOESN'T GO FAR ENOUGH) AND THE PROJECT HAS NOT YET BEEN TRIED.

5. CURRENT LDC PRESSURE, IN UNCTAD AND CIEC, IS NOT, HOWEVER, ON FORUM ISSUE. AS A RESULT OF THE SERIOUS DIFFICULTIES WHICH THEY CONFRONT, MANY LDCS NOW VIEW DEBT RELIEF PRIMARILY IN THE CONTEXT OF:

--A VEHICLE FOR PROVIDING BALANCE OF PAYMENTS RELIEF AND/OR;

--A MEANS OF SUPPLEMENTING WHAT THEY CONSIDER TO BE INADEQUATE FLOWS OF DEVELOPMENT ASSISTANCE.

SECRET

SECRET

PAGE 03 STATE 104615

THE POSITIONS THE "GROUP OF 77" ARE ADVOCATING IN UNCTAD (DEBT CANCELLATION, DEBT MORATORIUM ETC.) REFLECT AN EFFORT TO TREAT WHAT ARE ESSENTIALLY BALANCE OF PAYMENTS PROBLEMS SOLELY IN TERMS OF DEBT. THIS IS THE BIG UNCTAD DEBT ISSUE.

6. THE US CANNOT SUPPORT THE GENERALIZED DEBT RELIEF PROPOSALS PUT FORWARD BY THE GROUP OF 77. LEGAL AND

CONGRESSIONAL RESTRICTIONS DICTATE THAT WE CONTINUE TO UTILIZE THE "CASE-BY-CASE" APPROACH WHEREIN ACUTE DEBT SITUATIONS ARE JUDGED ON THEIR OWN INDIVIDUAL MERITS. MOREOVER, WE BELIEVE GENERALIZED DEBT RELIEF PROVIDES ASSISTANCE IN AN ARBITRARY FASHION AND WITHOUT REFERENCE TO DEBTOR COUNTRIES' POLICIES OR NEED. WE ALSO BELIEVE THAT PROPOSALS FOR GENERALIZED DEBT RELIEF DETRACT FROM THE URGENT PROBLEMS THE LDCS REALLY FACE:

1) FOR COMMERCIAL BORROWERS, THE NEED TO IMPROVE ACCESS TO CAPITAL MARKETS, AND 2) FOR THE MSAS, THE NEED TO INCREASE FLOWS OF CONCESSIONAL ASSISTANCE.

OUR POSITION OPPOSING GENERALIZED DEBT RELIEF IS NOT NEGOTIABLE.

7. THE U.S. WISHES, HOWEVER, TO APPEAR RESPONSIVE ON OTHER AREAS OF THE DEBT ISSUE. WE INITIALLY BELIEVED THE "FORUM" AREA OFFERED SUCH AN OPPORTUNITY AND HOPED TO ADVOCATE AT UNCTAD IV THE IDEA OF IMF SPONSORSHIP OF ALL DEBT RESCHEDULING. WE RECOGNIZED THAT THIS INITIATIVE WOULD BE VIEWED AS MODEST BY SOME OF THE MORE ACTIVIST LDCS BUT WE BELIEVE THE IMF'S ABILITY TO EQUITABLY TREAT ACUTE DEBT PROBLEMS AS THEY ARISE WOULD BE IN THE LONG-TERM INTERESTS OF THE LDCS.

8. AS YOU ARE WELL AWARE, THE IDEA THAT THE GOZ WOULD REQUEST IMF SPONSORSHIP HAS BEEN KNOWN FOR SOME TIME. INITIALLY THERE WAS INTERAGENCY AGREEMENT TO THE IDEA. HOWEVER, THERE WAS NO AGREED INTERAGENCY POSITION ON A GENERAL POLICY WHICH WOULD REFER ALL DEBT PROBLEM CASES TO THE IMF. IN THIS REGARD, THERE WAS CONSIDERABLE SUPPORT FOR IMF PROMINENCE IN DEBT EVOLVING GRADUALLY, FEARING THAT

SECRET

SECRET

PAGE 04 STATE 104615

WE OTHERWISE RISKED A GREATER INCIDENCE OF DEBT RELIEF APPLICATIONS.

9. WHEN THE ACTUAL GOZ REQUEST FOR IMF SPONSORSHIP WAS MADE (AND OPPOSED BY THE FRENCH), THE AGREED INTERAGENCY POSITION WE WERE ABLE TO NEGOTIATE BEGAN TO HARDEN CONSIDERABLY. THIS HARDENING REFLECTED SEVERAL CONCERNS WITHIN THE USG ON:

--THE NEED TO MINIMIZE IMF INVOLVEMENT IN LDC BALANCE OF PAYMENTS PROBLEMS;

--BELIEF THAT IMF SPONSORSHIP WOULD ENCOURAGE A GREATER INCIDENCE OF DEBT RELIEF APPLICATIONS, AND THAT DEBT RELIEF COULD BECOME A NORMAL RATHER THAN AN EXCEPTIONAL

FORM OF BALANCE OF PAYMENTS SUPPORT;

--THE UNDESIRABILITY OF A RESCHEDULING FRAMEWORK WHERE THE SPONSOR OR CHAIRMAN DOES NOT HAVE A VESTED CREDITOR INTEREST.

-- THE NEED TO AVOID DISTURBING IMPORTANT BUT STILL SENSITIVE BILATERAL ECONOMIC RELATIONS WITH FRANCE.

MOREOVER, THE 3/26/76 OFFICE MEMORANDUM FROM ZAIRE'S ED IN THE IMF ADDRESSED TO THE MANAGING DIRECTOR PLACED THE GOZ REQUEST IN THE CONTEXT OF "THE DEVELOPING COUNTRIES AS A WHOLE"; PRODUCED STRONG PRESSURE FOR A HARDER STAND.

10. WE STILL BELIEVE THAT IMF SPONSORSHIP OF DEBT RESCHEDULING EXERCISES WOULD BE IN THE LONG-TERM INTEREST OF BOTH THE CREDITOR AND DEBTORS. HOWEVER, GIVEN STRONG OPPOSITION WITHIN USG WE WILL NOT PROPOSE THE IDEA AT UNCTAD. WE HAVE, HOWEVER, INTERAGENCY AGREEMENT TO "ADVOCATE A GREATER IMF TECHNICAL ROLE IN DEBT RESCHEDULING EXERCISES". (WE UNDERSTAND JAPAN SUPPORTS IMF SPONSORSHIP, AND GERMANY IS CONSIDERING SUPPORTING IT.)

11. WE HAVE FORWARDED UNDER SEPARATE COVER A COPY OF THE U.S. POSITION PAPER ON DEBT WHICH HAS BEEN PREPARED FOR THE UNCTAD. THIS WILL PROVIDE ADDITIONAL BACKGROUND ON HOW
SECRET

SECRET

PAGE 05 STATE 104615

THE USG VIEWS THE CURRENT DEBT ISSUE IN THE UNCTAD/CIEC FRAMEWORK.

12. PARIS 12370 NOTES NEXT MEETING OF PARIS CLUB IS SCHEDULED FOR JUNE IN PARIS BUT WITH CREDITORS AGREEING TO FINAL SIGNING CERMONY TO BE IN KINSHASA. THE USG STILL FEELS STRONGLY THAT A GOZ-CREDITOR IMPASSE ON THE FORUM ISSUE MUST BE AVOIDED. SISCO

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, LESS DEVELOPED COUNTRIES, GOVERNMENT DEBTS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE104615
Document Source: CORE
Document Unique ID: 00
Drafter: BGCROWE
Enclosure: n/a
Executive Order: GS
Errors: n/a
Film Number: D760167-0310
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976041/aaaaaaqt.tel
Line Count: 209
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: STADIS <MCM 20040719 CORRECTION>; STADIS, EXDIS
Reference: 76 KINSHASA 3060
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2004 by BoyleJA>; APPROVED <20 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CHANGED> MCM 20040719
Subject: DEBT-RESCHEDULING: IMF VS PARIS CLUB AND THE CASE OF ZAIRE
TAGS: EAID, EFIN, CG, IMF, PARIS CLUB
To: KINSHASA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006